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FISCAL IMPACT STATEMENT

LS 7567

BILL NUMBER: HB 1681

NOTE PREPARED: Feb 25, 2005

BILL AMENDED: Feb 24, 2005

SUBJECT: Local Taxation.

FIRST AUTHOR: Rep. Dobis

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

(A) The bill requires the Lake County Convention and Visitor Bureau to establish an alternate revenue fund (ARF) consisting of all money (other than innkeeper's tax revenue) received by the Bureau after June 30, 2005. The bill provides that the Bureau is not required to submit a budget to the county council with respect to either the alternate revenue fund or the existing convention, tourism, and visitor promotion fund. The bill specifies that all members of the Bureau serve for terms of three years.

(B) The bill legalizes and validates the participation of the employees of the Lake County Convention and Visitor Bureau in insurance programs established by the Lake County government for the employees of the Bureau.

(C) The bill authorizes the Evansville city council to impose a supplemental auto rental excise tax in Vanderburgh County.

(D) The bill extends the distribution of a portion of the Vanderburgh County Innkeeper's tax to the Convention Center Operating Fund indefinitely. The bill provides that the amount of innkeeper's tax revenue deposited in the Tourism Capital Improvement Fund increases to the amount generated by a 2.5% innkeeper's tax rate in 2010 (rather than a 3.5% rate beginning in 2006).

Effective Date: (Amended) Upon passage; July 1, 2005.

Explanation of State Expenditures: (Revised) (A) Under the bill, the State Board of Accounts (SBA) would be allowed to audit the proposed ARF. The SBA should be able to administer this provision within their existing budget.

(C) The Department's current resources are sufficient to cover the additional costs associated with this proposal. As an example, the current cost for the Department of State Revenue to administrate, audit, and collect the food and beverage tax is approximately \$0.51 per \$100 of revenue.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) (A) Under the bill, the Lake County Convention and Visitor Bureau (the Bureau) would be required to establish an ARF. The ARF would be able to consist of appropriations, gifts, grants, membership dues, and contributions from any public or private source. The Bureau would be able to establish an ARF within their existing resources.

The Bureau would be able to expend money from the ARF *without appropriation* by the Lake County Council. Money in ARF would be used to promote and encourage conventions, trade shows, visitors, special events, sporting events, and exhibitions in Lake County. The bill also eliminates the requirement that the Bureau submit its budget for the Promotion Fund to the County Council for review and approval.

Additionally, any revenue deposited in ARF would be allowed to be transferred to any Indiana not-for-profit corporation to promote and encourage conventions, trade shows, visitors, or special events in Lake County. Under current law, the County Convention, Visitor, and Tourism Promotion Fund (into which the County's Innkeeper's Tax revenue is deposited) may be used to provide transfers to Indiana non-profit corporations to promote the above listed events.

The bill specifies that revenue derived from Riverboat Wagering and Riverboat Admissions taxes would not be allowed to be transferred to the ARF.

(B) Currently, health insurance benefits for Lake County government employees are extended to approximately 13-14 full-time employees of the Lake County Convention and Visitor Bureau. The Bureau's employer share is currently \$800 per employee per month for health, dental, and vision. Employees of the Bureau pay \$25 (single), and \$50 (family) per month to have the coverage. Based on the above figures, it is estimated the Bureau's total employer share for health insurance coverage is approximately \$10,400 to \$11,200 per month.

(C) If an ordinance were adopted to impose a county supplemental auto rental excise tax, the Evansville fiscal officer would establish the Vanderburgh County Supplemental Auto Rental Excise Tax Fund (SARETF). The Evansville legislative body would be required to send a certified copy of an adopted ordinance to the Department of State Revenue.

(D) The bill would allow a four-year extension for a portion of Vanderburgh Innkeeper's Tax revenue to be placed into the Tourism Capital Improvement Fund (Improvement Fund) at a 1.5% rate. Under current law, Innkeeper's Tax revenue is placed in the Improvement Fund at a 1.5% rate until January 1, 2006. Under current law, after December 31, 2005, the rate of the Improvement Fund would increase to 3.5%. Under the bill, the rate of the Improvement Fund would not increase until after December 31, 2009. At that date, the rate would increase to 2.5% instead of the 3.5% allowed under current law. The remaining revenue generated by a 1% rate that would have been in the Improvement Fund, under current law, would be indefinitely placed into

Convention Center Operating Fund (Operating Fund).

(Under current law, the Operating Fund is set to expire January 1, 2006.) Money in the Operating Fund is used to pay operating expenses of the convention center.

Background: In FY 2004, Vanderburgh County Innkeeper's Tax revenue was \$2.03 M. The following chart exhibits the rate, percent share of revenue, and amount of revenue per fund under current law and the proposal.

Fund	CY 2005 Rate (Current Law)	CY 2005 Revenue % Share (Current Law)	Share of Revenue (Current Law)	CY 2010 Rate (Proposed)	CY 2010 Revenue % Share (Proposed)
Convention and Visitor Promotion Fund	2.50%	41.7%	\$0.84 M	2.50%	41.7%
Tourism Capital Improvement Fund	1.50%	25%	\$0.51 M	2.50%	41.7%
Convention Center Operating Fund	2%	33.3%	\$0.68 M	1%	16.7%
TOTAL	6%	100%	\$2.03 M	6%	100%

*Totals may not sum due to rounding.

Explanation of Local Revenues: (Revised) (A) *Summary:* Any revenue except Innkeeper's Tax, Riverboat Wagering Tax or Riverboat Admission Tax revenue may be deposited in the proposed Lake County ARF after June 30, 2005. The bill would not effect any change in the deposit of tax revenue into the County's Convention, Visitor, and Tourism Promotion Fund and other entities as specified in current law.

Background: Lake County collected \$2.1 M in Innkeeper's Tax revenue in FY 2004. All Innkeeper's Tax revenue would still be distributed to the Convention, Visitor, and Tourism Promotion Fund; Indiana University Northwest, various cities and towns in the County; Purdue University Calumet; and Gary and Hammond convention facilities under the provisions of current law. Projects for which revenue in the Promotion Fund may be used would still be subject to public review.

(C) Under this proposal, the Evansville legislative body would have the option to adopt a county Supplemental Auto Rental Excise Tax. The tax would be assessed at 2% of the gross retail income from the rental of passenger motor vehicles defined as a motor vehicle designed for carrying passengers, not including motorcycles, buses, or school buses. The following vehicle rentals would be exempt from the county supplemental auto rental excise tax: rentals for use in funeral services; rentals during vehicle servicing; and insurance rentals. The tax would expire after December 31, 2036.

The tax would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. Under the bill, retail merchants in Vanderburgh County would have the option of filing a separate return, filing with the state Auto Rental Excise Tax, or filing with a return for the state Gross Retail Tax. Revenue collected by the tax would be distributed monthly to the SARETF by the Treasurer of State upon warrants issued by the

Auditor of State.

Money in the SARETF would be used only for purposes designated by the city legislative body. Under the bill, an adopted tax would expire on December 31, 2036. If a tax were adopted before June 1 of a year the tax would apply to auto rentals after June 30 of the same year. If a tax were adopted on or after June 1 of a year the tax would apply to auto rentals after the last day of the month in which the ordinance is adopted.

Supplemental Auto Rental Excise Tax Estimation: According to the Department of State Revenue, \$438,267 was distributed in Vanderburgh County from the state 4% Auto Rental Excise Tax in CY 2004. Based on this amount, it is estimated that a 2% county supplemental auto rental excise tax could generate an additional \$219,100 in revenue per calendar year. However, due to the exemptions listed above, the revenue generated by a county supplemental auto rental excise tax as proposed would be somewhat less than \$219,100.

(D) The bill does not increase the Vanderburgh County Innkeeper's Tax, therefore this provision of the bill would be revenue neutral.

State Agencies Affected: State Board of Accounts; Department of State Revenue; Treasurer of State; Auditor of State.

Local Agencies Affected: Lake County, Vanderburgh County.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*; Association of Indiana Counties: *17th Annual County Factbook, 2002*; Willie Gonzalez, Department of State Revenue, (317) 232-3996; Bob Walls, Department of State Revenue; Vanderburgh County Treasurer; James Tsismankis, Lake County Convention and Visitor Bureau, 1-800-255-5253.

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